



# LFC Newsletter

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**Legislative Finance Committee**

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Representative Jimmie C. Hall, Vice Chairman

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## *From the Chairman*

### **1 percent**

Over the last half dozen years, the economists from the legislative and executive branches who craft the consensus state revenue estimate have established an impressive record of coming within a few percentage points of the final number, usually slightly underestimating the final totals.

A look at the estimates since the Great Recession in 2009, show even 18-months out the economists have projected a year-end total within 5 percent or less than the final figure.

But those same figures show the estimates for oil and gas revenues have been significantly off, a symptom of the notoriously volatile energy sector. Just two years ago, oil and gas revenues came in more than 20 percent stronger than forecast either 18 months or six months out. So far this fiscal year, which ends in six months, energy revenues are running almost 30 percent behind the estimate from a year ago.

Still, the total revenue estimates have been closer to the final number, except – and this is a big exception – even 1 percent represents a large amount when the starting figure is over \$6 billion. One percent of \$6 billion (that's \$60 million) is more than the entire budgets of many state programs.

Fortunately, the consensus forecasters generally take a cautious approach and the estimate error has mostly turned into a year-end bonus, rather than a dip into reserves or budget cuts.

This year, as was suggested in news reports about the LFC budget recommendation, the forecast is less a consensus than it is a respectful stalemate. Legislative analysts, as oil prices have plunged then plunged a little deeper, have taken a more pessimistic approach to the revenue estimate than the executive.

The budget recommendation reflects that, with about \$77 million of the \$231 million in new spending contingent on actual revenue coming in at the estimated level. The committee has also recommended steps to strengthen the general fund reserve, the set-aside fund for emergencies.

Being prepared for austerity is critical. Few things are more painful than cutting into important programs for New Mexico's most needy because the estimate was too optimistic.

*Senator John Arthur Smith  
Chairman*

## **Charters, Mexico on Agenda**

A proposal to eliminate double-funding for planned growth at charter schools and another to offer lower tuition to some Mexican college students are expected to be among those considered for committee sponsorship during the final LFC interim meeting on January 18.

The five proposals scheduled to be reviewed for potential committee sponsorship are the result of discussions during the interim. If endorsed, the bills would be introduced during the 30-day session that starts January 19.

### **The proposals:**

- A plan to adjust the public school funding formula would align the multiplier for teacher experience with the existing three-tiered teacher licensing process and increase the funding factor for students at risk of failing by almost 50 percent.

The state distributes most funds to public schools through a formula that is based on enrollment with multipliers for educational and other student-specific needs, school size, teacher experience, and other factors.

- A second proposal affecting the distribution of operating funds to public schools would change when students are counted to counter a side effect of the school-growth funding factor that leads to double-funding of certain students at charter schools.

The growth factor in the formula recognizes the additional costs of a rapid unplanned increase in enrollment. Because many new charters start with fewer grades than they eventually will include and then add a grade each year until they reach their plan, they often qualify for the growth units, even though the growth is planned and even though those new students are also funded as part of the schools regular distribution.

- A third school funding proposal would create a school transportation funding formula for state-chartered charter schools because the existing formula, now applied to all public schools, overfunds those chartered schools.

- A proposal concerning higher education would allow students from the Mexican states of Chihuahua and Sonora to be eligible for lower tuition rates at New Mexico colleges, similar to the program available to certain students in border U.S. states.

- The final proposal would create a task force on New Mexico-Chihuahua relations to identify opportunities for cooperation and joint projects. The group would include legislators, state agency administrators, college representatives and others and would recommend action to the Legislative Finance Committee.

## **Charters Cost More, Perform the Same**

While the cost per student for charter schools is higher than district schools, charter school student performance in New Mexico is mixed, with charter school student achievement in many areas little different from that in traditional public schools, an LFC evaluation finds.

The program evaluation of the performance, cost and governance of six selected charter schools, scheduled to be presented to the committee at 9 a.m. on January 18, found that achievement data for the past three years shows little difference in student achievement between charter schools and traditional schools.

However, the data shows locally chartered charter schools, those authorized by the local school district, consistently perform below both state-chartered

charter schools and traditional district schools. In addition, despite serving higher percentages of poorer students and English learners than either state or locally authorized charters, students in traditional public schools outperform both on certain scales.

Charter school administrators argue that they often serve students who have struggled in traditional schools.

The evaluation also notes that, because of rapid growth in the number of new charter schools, charters have received almost half of the new money available to public schools over the last seven years.

Because all schools in the state draw from the same pool of money, if charter schools draw more per student, that means money for traditional schools must stretch farther.

# Number of Women in Prison Growing Faster than Men

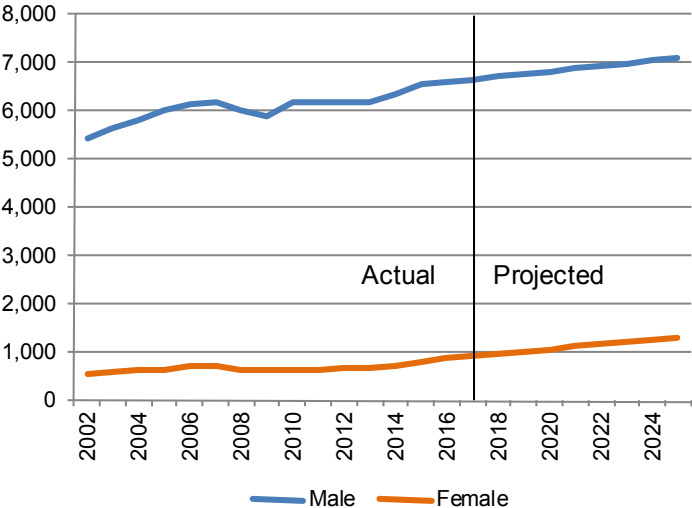
The number of men in New Mexico's prisons has been growing at an average of 1 percent per year over the last 10 years, while the number of women has been growing at an average of 5 percent per year.

The female population grew by 11 percent in 2015 alone. However, the number of women continues to be far lower than the number of men – 782 versus 6,558 in 2015 – and that trend is expected to continue.

LFC analysis notes that recidivism plays a significant role in prison population growth, with 26 percent of the 4,000 prisoners entering the New Mexico prison system in FY14 committed for parole violations.

Over the last 10 years, the total prison population has grown by 600 inmates, or 8 percent. The department's general fund appropriation has grown by 20 percent during this period, not including an additional \$7 million appropriated for projected shortfalls in FY15 and FY16.

Prison Population Forecast



## On the Table

### NM Personal Income Slow, On Track

New Mexico personal income grew by 0.9 percent in the third quarter of 2015, making New Mexico 47th in the nation for income growth. While low compared with other states, the rate puts the state on track with the FY16 forecast for private wage and salary growth.

### Number of Active Rigs Drop

The number of active drilling rigs in New Mexico in December was down nearly two-thirds from a year earlier, from 103 to 37 in a count on December 19. Nationally, the rig count in December had dropped for 16 consecutive weeks and was at its lowest level since 1999.

### Electric Co-Op Seeks Fee Hike

Kit Carson Electric Cooperative is asking the Public Regulation Commission for approval for a 41 percent fee increase due to “financial distress.” The cooperative is one of the worst performing electric cooperatives in the state in terms of financial performance and ability to pay long-term debt.

### NM in Middle on Reading Education Policy

New Mexico has ranked near the middle nationally for its early childhood policy and funding of programs related to third-grade reading proficiency. The study, *From Crawling to Walking : Ranking States on Birth-3rd Policies that Support Strong Readers*, by the non-partisan think-tank New America, measured a broad set of indicators that can help ensure children are on track to read on grade level by third grade.

### New Mexico Opts Out of Home Visit Help

Fifteen states – including Arizona, Colorado, Oklahoma and Texas but not New Mexico – have expressed interest in working with the Pew Charitable Trust on a project that will explore ways to use Medicaid to finance home-visiting services for mothers and young children. The Medicaid Home Visiting Learning Network will help up to six states in developing mechanisms, policies, and infrastructure to maximize Medicaid and other funding for home visiting.

### Las Cruces Houses Veterans

Las Cruces, the first New Mexico city to identify, house and shelter all known homeless veterans, is one of the first cities in the nation to reach “functionally zero” homeless veterans.

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